Michigan Deptartment of Treasury 496 (2-04)

Accountant Signature

henritha-Bethrums

Auditing Procedures Report Issued under P.A. 2 of 1968, as amended. Local Government Type Local Government Name County Village Township Other ✓ City CITY OF ZILWAUKEE SAGINAW Opinion Date Audit Date Date Accountant Report Submitted to State: 6/30/05 10/10/05 12/2/05 We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury. We affirm that: 1. We have complied with the Bulletin for the Audits of Local Units of Government in Michigan as revised. 2. We are certified public accountants registered to practice in Michigan. We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations You must check the applicable box for each item below. Yes ✓ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. Yes ✓ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). Yes ✓ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). Yes ✓ No The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. Yes ✓ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). ✓ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned ✓ No 7. pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). Yes V No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). ✓ No Yes 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). To Be Not We have enclosed the following: Enclosed Forwarded Required The letter of comments and recommendations. Reports on individual federal financial assistance programs (program audits). Single Audit Reports (ASLGU). Certified Public Accountant (Firm Name) **BERTHIAUME & COMPANY CPAS** Street Address City State ZIP **60 HARROW LANE** 48638 SAGINAW MI

Date

CITY OF ZILWAUKEE

Saginaw County, Michigan

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the City Council City of Zilwaukee, Michigan

Certified Public Accountants

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Zilwaukee, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City of Zilwaukee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Zilwaukee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Zilwaukee, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

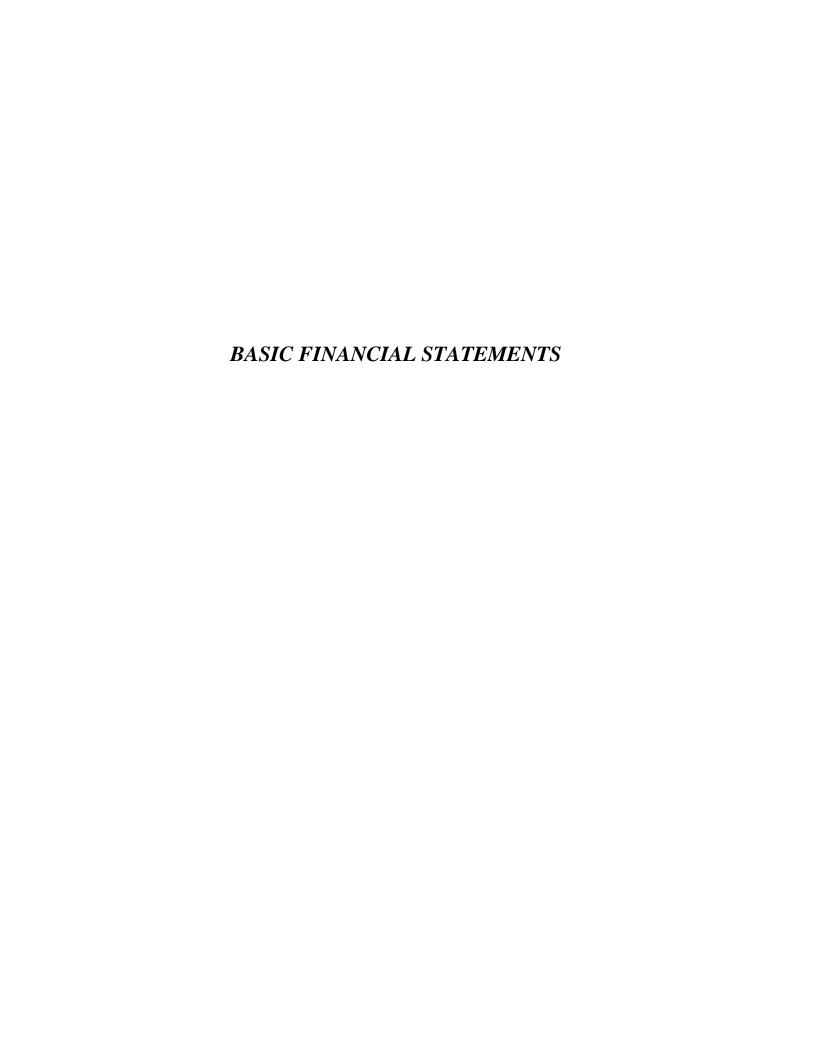
The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zilwaukee's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

October 10, 2005

Betthiaune & Co.



STATEMENT OF NET ASSETS

	Pri	nent		
	Governmental	Business-type		Component
	Activities	Activities	Total	Unit
Assets:				
Cash and cash equivalents	\$ 1,191,893	\$ 579,624	\$ 1,771,517	\$ 151,586
Receivables	124,148	135,453	259,601	-
Internal balances	970	(970)	-	-
Inventory	-	-	-	199,936
Prepaid expenses	18,892	-	18,892	-
Capital assets:				
Nondepreciable capital assets	-	5,204	5,204	66,065
Depreciable capital assets, net	872,602	2,809,329	3,681,931	572,738
Total assets	2,208,505	3,528,640	5,737,145	990,325
Liabilities:				
Accounts payable and accrued expenses	24,952	29,596	54,548	104
Long-term liabilities:	_ :,>==	2>,0>0	c .,c .c	10.
Due within one year	50,502	53,325	103,827	93,965
Due in more than one year	34,548	305,684	340,232	875,288
ar a sa a sa a gan				
Total liabilities	110,002	388,605	498,607	969,357
Net assets:				
Invested in capital assets, net of related debt	787,552	2,455,524	3,243,076	254,385
Restricted for:	707,552	2,133,321	3,213,070	23 1,303
Debt service	_	_	_	68
Streets	661,706	_	661,706	-
Capital projects	-	_	-	126,129
Unrestricted	649,245	684,511	1,333,756	(359,614)
				(====,===1)
Total net assets	\$ 2,098,503	\$ 3,140,035	\$ 5,238,538	\$ 20,968

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

		Program Revenues								
	<u> </u>	xpenses		narges for Services	Gr	perating rants and atributions	Gr	Capital rants and atributions		(Expense) Revenue
Functions/Programs										
PRIMARY GOVERNMENT:										
Governmental activities:	Φ.	20422	Φ.	20.072			Φ.		Φ.	(0.57.075)
General government	\$	304,327	\$	39,052	\$	-	\$	-	\$	(265,275)
Public safety		199,145		26,529		1,138		-		(171,478)
Public works		444,388		95,777		129,427		58,323		(160,861)
Community and economic development		35,309		21,000		-		26,201		11,892
Recreation and culture		38,666		10,951		284		-		(27,431)
Interest on long-term debt	_	3,462				-				(3,462)
Total governmental activities		1,025,297		193,309		130,849		84,524		(616,615)
Business-type activities:										
Sewer		188,607		231,218		_		4,000		46,611
Water		252,318		228,892		_		39,879		16,453
							-			
Total business-type activities		440,925		460,110		-		43,879		63,064
Total primary government	\$	1,466,222	\$	653,419	\$	130,849	\$	128,403	\$	(553,551)
COMPONENT UNIT:										
Tax increment finance authority	\$	83,812	\$	11,909	\$		\$		\$	(71,903)
Total component unit	\$	83,812	\$	11,909	\$		\$		\$	(71,903)

continued

	Pri	ient		
		Business-		
	Governmental	type		Component
	Activities	Activities	Total	<u>Unit</u>
Changes in net assets:				
Net (Expense) Revenue	\$ (616,615)	\$ 63,064	\$ (553,551)	\$ (71,903)
Net (Expense) Revenue	ψ (010,013)	ψ 03,004	ψ (333,331)	ψ (71,503)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	318,048	-	318,048	-
Property taxes, levied for fire protection	29,370	-	29,370	-
Property taxes, levied for recreation	7,337	-	7,337	-
Property taxes, levied for debt service	-	44,136	44,136	-
Property taxes captured by TIFA	-	-	-	309,761
Franchise taxes	18,528	-	18,528	-
Grants and contributions not restricted to				
specific programs	189,854	1,768	191,622	-
Unrestricted investment earnings	11,256	4,113	15,369	128
Miscellaneous	5,268		5,268	
		7 0 04 7	500 5 0 0	200.000
Total general revenues	579,661	50,017	629,678	309,889
Change in net assets	(36,954)	113,081	76,127	237,986
Net assets, beginning of year	2,135,457	3,026,954	5,162,411	(217,018)
Net assets, end of year	\$ 2,098,503	\$ 3,140,035	\$ 5,238,538	\$ 20,968

GOVERNMENTAL FUNDS

BALANCE SHEET

	_	General Fund		Major Street Fund		Local Street Fund		onmajor vernmental Funds	Go	Total overnmental Funds
Assets:										
Cash and cash equivalents	\$	342,900	\$	441,155	\$	204,287	\$	203,551	\$	1,191,893
Accounts receivable		5,331		-		-		=		5,331
Due from other governmental units Due from other funds		65,681		14,937		5,999 22,322		22 657		86,617 44,979
Prepaid expenditures		8,338		-		22,322		22,657 10,554		18,892
Advance recievable from other		0,550		-		-		10,554		10,092
funds		32,200		-					_	32,200
Total assets	\$	454,450	\$	456,092	\$	232,608	\$	236,762	\$	1,379,912
Liabilities and Fund Balances:										
Liabilities: Accounts payable	\$	8,839	\$	273	\$	4,399	\$	11,441	\$	24,952
Due to other funds	Ф	21,687	Ф	22,322	Ф	4,399	Ф	11,441	Ф	44,009
Due to other runds		21,007		22,322					_	44,009
Total liabilities	_	30,526		22,595		4,399		11,441		68,961
Fund balances:										
Reserved for:										
Prepaid expenditures		8,338		-		-		10,554		18,892
Advance receivable		32,200		-		-		-		32,200
Unreserved:		202 204								202.206
General fund		383,386		422 407		-		-		383,386
Special revenue funds			_	433,497	_	228,209		214,767	_	876,473
Total fund balances		423,924		433,497		228,209		225,321		1,310,951
Total liabilities and fund										
balances	\$	454,450	\$	456,092	\$	232,608	\$	236,762	\$	1,379,912

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2005

Total fund balances for governmental funds

\$ 1,310,951

Total net assets reported for governmental activities in the statement of of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets Less accumulated depreciation 1,281,056

(408,454)

872,602

Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:

Installment contracts payable

(85,050)

Net assets of governmental activities

\$ 2,098,503

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 336,873	\$ -	\$ -	\$ 36,707	\$ 373,580
Licenses and permits	30,706	-	-	-	30,706
Federal grants	-	58,323	-	-	58,323
State grants	190,941	92,345	37,082	1,422	321,790
Contributions from other units	36,126	-	-	26,201	62,327
Charges for services	45,740	-	-	94,414	140,154
Fines and forfeits	323	-	-	-	323
Interest and rents	9,957	3,214	1,677	1,906	16,754
Other revenue	5,493		154	5,381	11,028
Total revenues	656,159	153,882	38,913	166,031	1,014,985
Expenditures:					
Current	146,000				146,000
General government Public safety	146,908 157,432	-	-	6,782	146,908 164,214
Public works	137,432	125,961	109,231	85,257	464,306
Community and economic	143,637	123,901	109,231	65,257	404,300
development	1,156	_	_	34,153	35,309
Recreation and culture	31,995	_	_	5,470	37,465
Other	155,648	_	_	5,470	155,648
Capital outlay	28,283	_	_	6,364	34,647
Debt service	20,200			3,50.	2 .,0 . /
Principal	_	_	-	48,963	48,963
Interest and fees	-	-	-	3,462	3,462
Total expenditures	665,279	125,961	109,231	190,451	1,090,922
Excess (deficiency) of					
revenues over expenditures	(9,120)	27,921	(70,318)	(24,420)	(75,937)
Other financing sources (uses):			22.004	2.250	25.454
Transfers in	- (2.250)	- (22.005)	23,086	3,368	26,454
Transfers out	(3,368)	(23,086)			(26,454)
Total other financing sources (uses)	(3,368)	(23,086)	23,086	3,368	
Net change in fund balances	(12,488)	4,835	(47,232)	(21,052)	(75,937)
Fund balances, beginning of year	436,412	428,662	275,441	246,373	1,386,888
Fund balances, end of year	\$ 423,924	\$ 433,497	\$ 228,209	\$ 225,321	\$ 1,310,951

The accompanying notes are an integral part of these financial statements..

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds		\$ (75,937)
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	34,647	
Less depreciation expense	(44,627)	(9,980)
Repayments of principal on capital leases and contracts is an expenditure in governmental funds, but the payment reduces long-term liabilities in the		
statement of net assets.		 48,963
Change in net assets of governmental activities		\$ (36,954)

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2005

	Business-type Activities					
	Mai	or Enterprise F	unds			
	Sewer Water					
	Fund	Fund	Total			
Assets:						
Current assets:						
Cash and cash equivalents	\$ 498,832	\$ 80,792	\$ 579,624			
Accounts receivable	-	133,453	133,453			
Due from other funds	63,444	20,852	84,296			
Total current assets	562,276	235,097	797,373			
Noncurrent assets:						
Capital assets:						
Nondepreciable capital assets	3,000	2,204	5,204			
Depreciable capital assets, net	910,368	1,898,961	2,809,329			
Advance receivable from other funds		2,000	2,000			
Total noncurrent assets	913,368	1,903,165	2,816,533			
Total assets	1,475,644	2,138,262	3,613,906			
Liabilities:						
Current liabilities:						
Accounts payable	4,218	9,502	13,720			
Accrued expenses	-	5,715	5,715			
Due to other governmental units	10,161	-	10,161			
Due to other funds	-	85,266	85,266			
Current portion of long-term debt	23,325	30,000	53,325			
Total current liabilities	37,704	130,483	168,187			
Noncurrent liabilities:						
Long-term debt	100,684	205,000	305,684			
Total noncurrent liabilities	100,684	205,000	305,684			
Total liabilities	138,388	335,483	473,871			
			<u> </u>			
Net assets:						
Invested in capital assets, net of related debt	789,359	1,666,165	2,455,524			
Unrestricted	547,897	136,614	684,511			
Total net assets	\$ 1,337,256	\$ 1,802,779	\$ 3,140,035			

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2005

	Business-type Activities				
	Major Enterprise Funds				
	Sewer	Water			
	Fund	Fund	Total		
Operating revenues:					
Charges for services	\$ 231,218	\$ 213,542	\$ 444,760		
Total operating revenues	231,218	213,542	444,760		
Operating expenses:					
Personnel	22,130	27,592	49,722		
Fringe benefits	1,588	1,930	3,518		
Supplies	230	440	670		
Contracted services	10,925	778	11,703		
Sewage treatment	89,930	-	89,930		
Purchase of water	-	111,658	111,658		
Administrative expense	2,500	2,900	5,400		
Telephone	1,379	-	1,379		
Mileage	100	-	100		
Dues and membership fees	-	396	396		
Education and training	=	305	305		
Printing and publishing	298	_	298		
Utilities	6,859	535	7,394		
Repair and maintenance	3,869	7,211	11,080		
Other services and supplies	70	2,208	2,278		
Depreciation	39,805	78,428	118,233		
Total operating expenses	179,683	234,381	414,064		
Operating income (loss)	51,535	(20,839)	30,696		
Non-operating revenues (expenses):					
Property taxes	-	44,136	44,136		
State shared revenue	_	1,768	1,768		
Interest income	3,607	506	4,113		
Rental income	-	15,350	15,350		
Capital contributions for construction - federal and local	4,000	39,879	43,879		
Interest expense	(8,924	(17,937)	(26,861)		
Total non-operating revenues (expenses)	(1,317	83,702	82,385		
Net income (loss)	50,218	62,863	113,081		
Net assets, beginning of year	1,287,038	1,739,916	3,026,954		
Net assets, end of year	\$ 1,337,256	\$ 1,802,779	\$ 3,140,035		

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

	Business-type Activities Major Enterprise Funds					
		Sewer	Water			
Cook flows from anaroting activities	_	Fund	_	Fund	_	Total
Cash flows from operating activities: Cash received from customers	\$	241,012	\$	212,828	\$	453,840
Cash payments to employees	Ψ	(22,130)	Ψ	(27,592)	Ψ	(49,722)
Cash payments to suppliers for goods and services		(117,040)		(139,672)		(256,712)
Net cash provided by operating activities		101,842		45,564		147,406
Cash flows from capital and related financing activities:						
Property taxes		-		44,136		44,136
State shared revenue		-		1,768		1,768
Rental income		-		15,350		15,350
Acquisition and construction of capital assets		(45,785)		(157,632)		(203,417)
Principal payments		(20,993)		(30,000)		(50,993)
Interest paid		(8,924)		(17,937)		(26,861)
Contributions - distribution system	_	4,000	_	39,879		43,879
Net cash used by capital and related						
financing activities		(71,702)	-	(104,436)		(176,138)
Cash flows from investing activities:						
Interest received	_	3,607		506		4,113
Net cash provided by investing activities		3,607		506		4,113
Net increase (decrease) in cash and cash equivalents		33,747		(58,366)		(24,619)
Cash and cash equivalents, beginning of year		465,085	_	139,158	_	604,243
Cash and cash equivalents, end of year	\$	498,832	\$	80,792	\$	579,624
Reconciliation of operating income (loss) to net cash						
provided by operating activities:						
Operating income (loss)	\$	51,535	\$	(20,839)	\$	30,696
Adjustments:						
Depreciation		39,805		78,428		118,233
Change in assets and liabilities:				(9, (27)		(9.627)
Accounts receivable		0.704		(8,627)		(8,627)
Due from other funds		9,794		7,913		17,707 520
Accounts payable Accrued expenses		1,480		(960) (557)		(557)
Due to other governmental units		(772)		(337)		(772)
Due to other funds		-		(9,794)		(9,794)
Net cash provided by operating activities	\$	101,842	\$	45,564	\$	147,406

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 34,602
Total assets	34,602
Liabilities:	
Accounts payable and accrued expenses	402
Advance payable to other funds	34,200
Total liabilities	34,602
Net Assets:	
Unrestricted	
Total net assets	\$ -

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Zilwaukee was incorporated January, 1964 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government in which the City Administrator is responsible for implementation and administration of City policy as established by the City Council.

The accounting policies of the City of Zilwaukee conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component unit discussed below is included in the City's reporting entity because of their operational or financial relationship with the City.

Discretely Presented Component Units - The component unit column in the combined financial statements include the financial data of the City's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the City. The component unit is described as follows:

Tax Increment Financing Authority - The Authority was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorizes the City to designate a specific district within its corporate limits as a Tax Increment Finance Authority District. The Authority is appointed to preside over this specific district, and it is authorized to formulate plans for public improvements, economic development, neighborhood revitalization, and historic preservation within this area.

The members of the governing board of the Tax Increment Financing Authority are appointed by the City Council. The budgets and expenditures of the Tax Increment Financing Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Tax Increment Financing Authority.

The City is involved in a joint venture -- the Northwest Utilities Authority. See Notes #11 and #12 which discusses the City's involvement in this separate entity.

Basis of Presentation – Fund Accounting:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

June 30, 2005

Basis of Accounting:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

FUND FINANCIAL STATEMENTS:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

June 30, 2005

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The City reports the following major governmental funds:

<u>General Fund</u> – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

<u>Major Street Fund</u> – The Major Street Fund is used to account for the maintenance and construction of the City's major street system.

<u>Local Street Fund</u> – The Local Street Fund is used to account for the maintenance and construction of the City's local street system.

The City reports the following major enterprise funds:

<u>Sewer Fund</u> – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

<u>Water Fund</u> – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

Assets, Liabilities and Equity:

<u>Deposits and Investments</u> – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

<u>Receivables and Payables</u> – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

<u>Property Taxes</u> – Properties are assessed as of December 31. The related property taxes are billed on the following July 1, are due on September 14, and become a lien on December 1 with the final collection date of February 14 before they are added to the county tax rolls.

The 2004 taxable valuation of the City totaled \$38,570,231, on which ad valorem taxes levied consisted of 9.6309 mills for the City's operating and 3.7465 mills for special voted purposes.

The delinquent real property taxes of the City are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

<u>Inventories and Prepaid Items</u> – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

June 30, 2005

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after July 1, 2003. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50-100 years
Vehicles	5-25 years
Furniture and other equipment	5-25 years
Distribution system	50 years

<u>Long-term Obligations</u> – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

June 30, 2005

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. The City Manager submits to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to June 1, the budget is legally enacted by adoption of the City Council.
- 4. The City Manager is authorized to transfer certain budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds.
- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City did not incur expenditures that were in excess of the amounts budgeted.

State Construction Code Act:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at July 1, 2004	\$ -
Current year building permit revenue	12,178
Related expenses:	
Direct costs 9,959	
Estimated indirect costs 2,390	
Total construction code expenses	 12,349
Cumulative surplus at June 30, 2005	\$ _

June 30, 2005

NOTE 3: DEPOSITS AND INVESTMENTS

The City's deposits and investments at June 30, 2005 are included in the statement of net assets under the following categories:

	Governmental Business-type Total Primary		Component	
	Activities	Activities	Government	<u>Unit</u>
Cash and cash equivalents	\$1,191,893	\$ 579,624	\$1,771,517	\$ 151,587

Deposits:

The breakdown between deposits and petty cash for the City is as follows:

	Primary <u>Government</u>	Component <u>Unit</u>
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 1,771,267	\$ 151,587
Petty cash and cash on hand	250	
Total	\$1,771,517	\$ 151,587

The deposits of the primary government and component unit were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,965,961, of which \$256,587 is covered by federal depository insurance and the remainder was uninsured and uncollaterized. The City believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

The City's deposits are in accordance with statutory authority.

NOTE 4: INVENTORY – COMPONENT UNIT

As of June 30, 2005, the Tax Increment Finance Authority had an inventory of land totaling \$199,936. This land consists of lots in the industrial park that were purchased and developed for resale. During the current year, the Authority sold land with a basis of \$8,475.

June 30, 2005

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
PRIMARY GOVERNMENT:				
Governmental activities:				
Depreciable capital assets	\$ 524,162	\$ -	\$ -	\$ 524.162
Buildings and improvements Equipment	\$ 524,162 91,634	7,519	5 -	\$ 524,162 99,153
Vehicles	630,613	27,128	-	657,741
Total depreciable capital assets	1,246,409	34,647	-	1,281,056
Accumulated depreciation	(363,827)	(44,627)		(408,454)
Governmental activities, capital assets, net	\$ 882,582	\$ (9,980)	\$ -	\$ 872,602
Business-type activities: Sewer capital assets				
Nondepreciable capital assets	4 2 000	•	•	A 2 000
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Depreciable capital assets Equipment	9,888	_	_	9,888
Distribution system	1,627,131	45,785	-	1,672,916
Total depreciable capital assets	1,637,019	45,785	-	1,682,804
Accumulated depreciation	(732,631)	(39,805)		(772,436)
Depreciable assets, net	904,388	5,980		910,368
Sewer capital assets, net	907,388	5,980		913,368
Water capital assets				
Nondepreciable capital assets Land	2,204	_	-	2,204
Depreciable capital assets				· · · · · · · · · · · · · · · · · · ·
Buildings and improvements	13,423	-	-	13,423
Equipment	25,299	-	-	25,299
Distribution system	2,731,349	157,632		2,888,981
Total depreciable capital assets	2,770,071	157,632	-	2,927,703
Accumulated depreciation	(950,314)	(78,428)		(1,028,742)
Depreciable assets, net	1,819,757	79,204		1,898,961
Water capital assets, net	1,821,961	79,204		1,901,165
Business-type activities, capital assets, net	\$ 2,729,349	\$ 85,184	\$ -	\$ 2,814,533

June 30, 2005

	Beginning Balance		Additions		Retirements		Ending Balance	
COMPONENT UNIT:								
Nondepreciable capital assets								
Land	\$	64,500	\$	1,565	\$		\$	66,065
Depreciable capital assets								
Land improvements		-		98,253		-		98,253
Buildings and improvements		242,836		229,288		-		472,124
Machinery and other equipment		7,720						7,720
Total depreciable capital assets		250,556		327,541		-		578,097
Accumulated depreciation		(1,935)		(3,424)				(5,359)
Depreciable capital assets, net		248,621		324,117				572,738
Component unit, capital assets, net	\$	313,121	\$	325,682	\$	<u>-</u> .	\$	638,803

Depreciation expense was charged to programs of the primary government and component unit as follows:

PRIMARY GOVERNMENT:

Governmental activities:	
General government	\$ 1,771
Public safety	34,930
Public works	6,725
Recreation and culture	 1,201
Total governmental activities	\$ 44,627
Business-type activities:	
Sewer	\$ 39,805
Water	 78,428
Total business-type activities	\$ 118,233
COMPONENT UNIT:	
Tax increment finance authority	\$ 3,424

NOTE 6: LONG-TERM DEBT

The City may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

June 30, 2005

Long-term obligation activity for this year is as follows:

Ranges Balance (Reductions) Balance On PRIMARY GOVERNMENT:	e Year
Governmental activities	
Installment purchase contract - Fire truck	
Amount of Issue - \$150,000	
Interest rate range - 3.1%	
Maturing through 2007 \$15,987-\$50,503 \$ 134,013 \$ (48,963) \$ 85,050 \$	50,502
Total governmental activities 134,013 (48,963) 85,050	50,502
Business-type activities	
Contracts payable - Saginaw County	
1990 Northwest Utilities Authority	
Amount of Issue - \$307,890	
Interest rate range - 5.5 to 8.5%	22.225
Maturing through 2010 12,080-30,322 145,002 (20,993) 124,009	23,325
Contracts payable - Saginaw County 1991 Water Supply System Bonds	
Amount of Issue - \$525,000	
Interest rate range - 6.0 to 10.0%	
Maturing through 2020 15,000-45,000 265,000 (30,000) 235,000	30,000
Total business-type activities 410,002 (50,993) 359,009	53,325
Total primary government \$ 544,015 \$ (99,956) \$ 444,059 \$	103,827
COMPONENT UNIT:	
General obligation bond - 2002 Tax	
Increment Bonds	
Amount of Issue - \$450,000	
Interest rate range - 4.3%	
Maturing through 2005 \$32,842-\$143,929 \$ 176,771 \$ (176,771) \$ - \$	-
General obligation bond - 2005 Tax	
Increment Bonds	
Amount of Issue - \$600,000	
Interest rate range - 4.2%	
Maturing through 2013 75,000 - 600,000 600,000	75,000
Loan Payable - 2001 Strategic Loan Amount of Issue - \$369,253	
Interest rate range - 6.0%	
Maturing through 2016 18,965-45,496 369,253 - 369,253	18,965
Land contract payable - Building and Land	10,703
Amount of Issue - \$220,000	
Interest rate range - 4.0 to 4.75%	
Maturing through 2016 25,743-57,063 194,256 (194,256) -	
Total component unit \$ 740,280 \$ 228,973 \$ 969,253 \$	93,965

June 30, 2005

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

Year Ended		Governmental Activities					Business-type Activities					
June 30,	_ <u>P</u>	rincipal	<u>I</u> ı	nterest		Total	_ <u>F</u>	Principal	_]	Interest		Total
2006	\$	50,502	\$	1,923	\$	52,425	\$	53,325	\$	23,174	\$	76,499
2007		34,548		403		34,951		58,325		19,315		77,640
2008		-		-		-		65,658		15,378		81,036
2009		-		-		-		67,990		11,117		79,107
2010		-		-		-		68,711		13,139		81,850
2011								45,000		1,620		46,620
	\$	85,050	\$	2,326	\$	87,376	\$	359,009	\$	83,743	\$	442,752

Year Ended		Total Primary Government						Component Unit				
June 30,	Principal		Interest		Total		Principal		Interest		Total	
2006	\$	103,827	\$	25,097	\$	128,924	\$	93,965	\$	22,960	\$	116,925
2007		92,873		19,718		112,591		103,253		22,050		125,303
2008		65,658		15,378		81,036		104,987		18,900		123,887
2009		67,990		11,117		79,107		106,827		15,750		122,577
2010		68,711		13,139		81,850		108,780		12,600		121,380
2011		45,000		1,620		46,620		110,853		9,450		120,303
2012		-		-		-		113,053		6,300		119,353
2013		-		-		-		115,388		3,150		118,538
2014		-		-		-		42,866		-		42,866
2015		-		-		-		45,496		-		45,496
2016								23,785	_		_	23,785
	\$	444,059	\$	86,069	\$	530,128	\$	969,253	\$	111,160	\$	1,080,413

June 30, 2005

NOTE 5: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

	Governmental Activities		siness-type Activities
Receivables: Accounts Intergovernmental	\$	37,531 86,617	\$ 135,453
Total receivables	\$	124,148	\$ 135,453
Accounts payable and accrued expenses: Accounts Interest Intergovernmental	\$	24,952	\$ 13,720 5,715 10,161
Total accounts payable and accrued expenses	\$	24,952	\$ 29,596

NOTE 6: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Local Street	Major Street	\$ 22,322
Fire Replacement Fund	General Fund	835
Refuse Fund	Water Fund	21,822
Sewer Fund	Water Fund	63,444
Water Fund	General Fund	20,852
		\$ 129,275

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

June 30, 2005

The composition of advances receivable and payable balances at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	 Amount
General Fund	Agency Funds	\$ 32,200
Water Fund	Agency Funds	 2,000
		\$ 34,200

Management does not anticipate the advance receivable and payable to be paid within one year.

Interfund transfers reported in the fund statements were as follows:

Funds Transferred From	Funds Transferred To	 Amount	
Major Street Fund	Local Street Fund	\$ 23,086	(I)
General Fund	Fire Replacement	 3,368	(II)
		\$ 26,454	•

- (I) 25% transfer of Michigan Transportation Funds from Major Street to Local Street
- (II) Funding transfer to cover additional fire equipment purchased.

NOTE 7: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation. The City manages its liability and property risk by participating in the Township Participation Plan. This insurance provider is a public entity risk pool providing coverage to its members. The City pays an annual premium to this provider for its insurance coverage. This provider is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

June 30, 2005

NOTE 8: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The City has a defined contribution pension plan through Benefits Consultants Group, covering all employees who worked at least 1,000 hours in the previous fiscal year, are between the age of 21 and 64, and are employed with the City for more than six months. The City's 2004-2005 payroll covered by the plan was \$246,660. Total payroll was \$338,915. The City's pension contribution was \$10,940 for the year. (This amount was net of a forfeiture of 1,384.) The City's policy is to contribute five(5) percent of the annual salaries of covered employees. The plan provides for employees vesting at 20% per year with full vesting after five(5) years.

The City has no postemployment benefits plans at this time other than its defined contribution pension plan.

NOTE 9: RELATED PARTY TRANSACTIONS

The City has various transactions with the Northwest Utilities Authority of which the City is a part owner. In this connection:

- (1) The City's share of the sewage treatment and capital improvement expenses for the year was \$89,930 which is included in the Sanitary Sewer Fund's operating expenses.
- (2) The City charged the Northwest Utilities Authority for administrative and accounting services for the year.
- (3) A separate audit financial statement report has been issued for the Northwest Utilities Authority for the year.

NOTE 10: COMMITMENTS AND CONTINGENCIES

JOINT VENTURE:

On August 3, 1987, the City of Zilwaukee and Townships of Carrollton, Saginaw, and Kochville created the Northwest Utilities Authority. The purpose of the Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system in accordance with State Act 233, PA 1955. The Authority consists of a five person governing body -- one appointed from each municipality, and one person selected at-large.

On May 18, 1990, Under *Act 185 of the Michigan Public Acts of 1957*, the City of Zilwaukee and Townships of Carrollton, Kochville, and Saginaw and the Northwest Utilities Authority entered into a contract with the County of Saginaw to obtain financing for a joint sewage transmission system.

As a separate unit the Authority operates on a cost reimbursement basis. Costs are prorated monthly among the City and Townships based on metered usage. The City's allocation is approximately 9%.

June 30, 2005

City of Zilwaukee Sewer Fund payments to the Northwest Utilities Authority during fiscal year 2004-05 were allocated as follows:

Operation & maintenance expenses and repair and replacement costs (sewer treatment expense)	\$ 89,930
Debt service	 29,917
	\$ 119,847

Each of the Authority's participants has a contingent liability resulting from its secondary full-faith and credit pledge supporting the Saginaw County Bond Issue dated August 1, 1990, in the principal amount of \$3,300,000. This bond issue was subsequently refinanced with the 1997 Sewer Improvement and Refunding Bond Issue dated December 1, 1997.

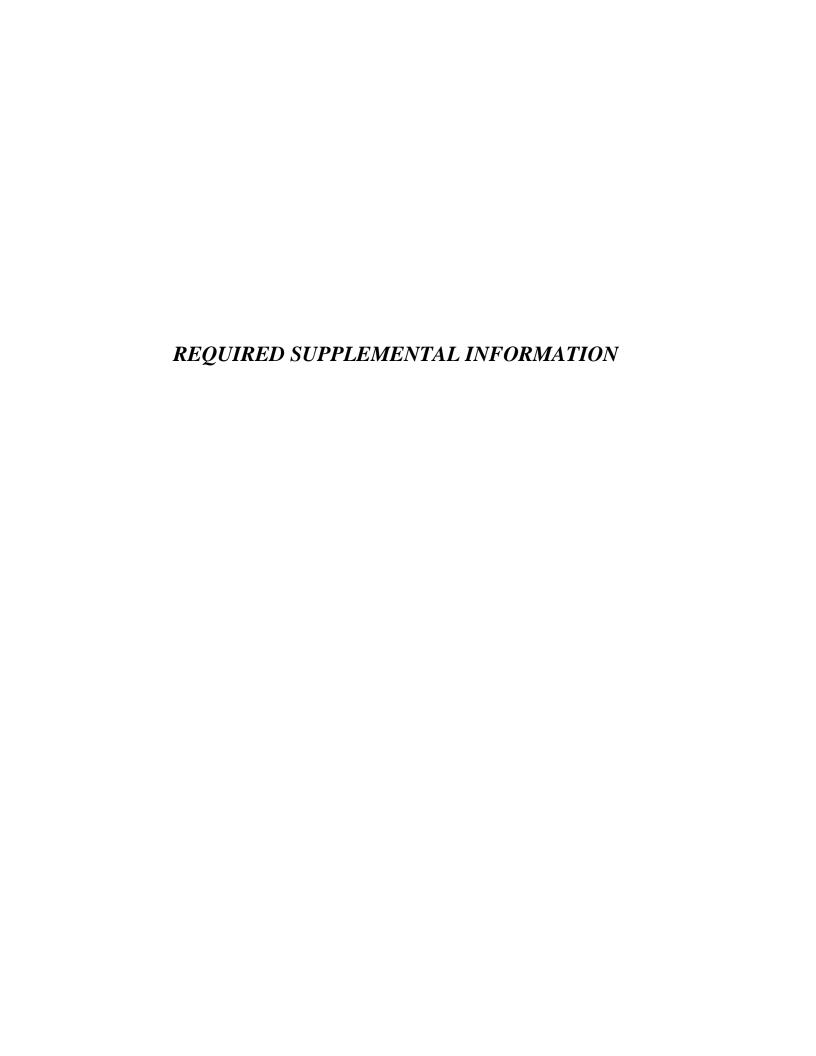
The annual debt service is allocated to the various participating units. This allocation is based on the aggregate sewage flows from participating units during the three preceding calendar years.

The Northwest Utility Authority is audited separately from the City. The audit report can be obtained from the City of Zilwaukee manager.

NOTE 11: COMPONENT UNITS REPORTING

A condensed statement of net assets for the discretely presented component unit is shown below. The statement of activities is presented in the government-wide financial statements.

	Tax Increment Finance Authority							
	Operations		Capital <u>Projects</u>		Debt <u>Service</u>		1	<u>Total</u>
Assets:								
Cash and cash equivalents	\$	25,389	\$	126,129	\$	68	\$	151,586
Inventory - Land held for Development		199,936		-		-		199,936
Capital assets		638,803	_	-	_			638,803
Total assets		864,128	_	126,129		68		990,325
Liabilities:								
Accounts payable		104		-		-		104
Long-term debt		969,253	_		_			969,253
Total liabilities		969,357	_					969,357
Net assets:								
Investment in capital assets, net of related debt		254,385		-		-		254,385
Restricted		-		126,129		68		126,197
Unrestricted		(359,614)						(359,614)
Total net assets	\$	(105,229)	\$	126,129	\$	68	\$	20,968



BUDGETARY COMPARISON SCHEDULE

	Budgeted Amounts					Actual r (Under)
	C	riginal		Final	Actual	l Budget
Revenues:						
Property taxes	\$	334,136	\$	334,136	\$ 336,873	\$ 2,737
Licenses and permits		26,500		26,500	30,706	4,206
State grants		226,925		226,925	190,941	(35,984)
Contributions from other units		-		-	36,130	36,130
Charges for services		61,960		61,960	45,740	(16,220)
Fines and forfeits		1,000		1,000	323	(677)
Interest and rents		20,000		20,000	9,957	(10,043)
Other revenue		11,400		11,400	 5,489	 (5,911)
Total revenues		681,921		681,921	 656,159	 (25,762)
Expenditures:						
Current						
General government		160,404		174,146	146,908	(27,238)
Public safety		163,295		177,750	157,432	(20,318)
Public works		152,650		163,931	143,857	(20,074)
Community and economic development		1,000		1,156	1,156	- (1.005)
Recreation and culture		33,800		33,800	31,995	(1,805)
Other		196,050		170,869	155,648	(15,221)
Capital outlay		2,500		29,678	 28,283	 (1,395)
Total expenditures		709,699		751,330	 665,279	 (86,051)
Excess (deficiency) of						
revenues over expenditures		(27,778)		(69,409)	 (9,120)	 60,289
Other financing sources (uses):						
Transfers out		(3,130)			 (3,368)	 (3,368)
Total other financing sources (uses)		(3,130)			 (3,368)	 (3,368)
Net change in fund balance		(30,908)		(69,409)	(12,488)	56,921
Fund balance, beginning of year		436,412		436,412	 436,412	
Fund balance, end of year	\$	405,504	\$	367,003	\$ 423,924	\$ 56,921

SPECIAL REVENUE FUND – MAJOR STREET FUND

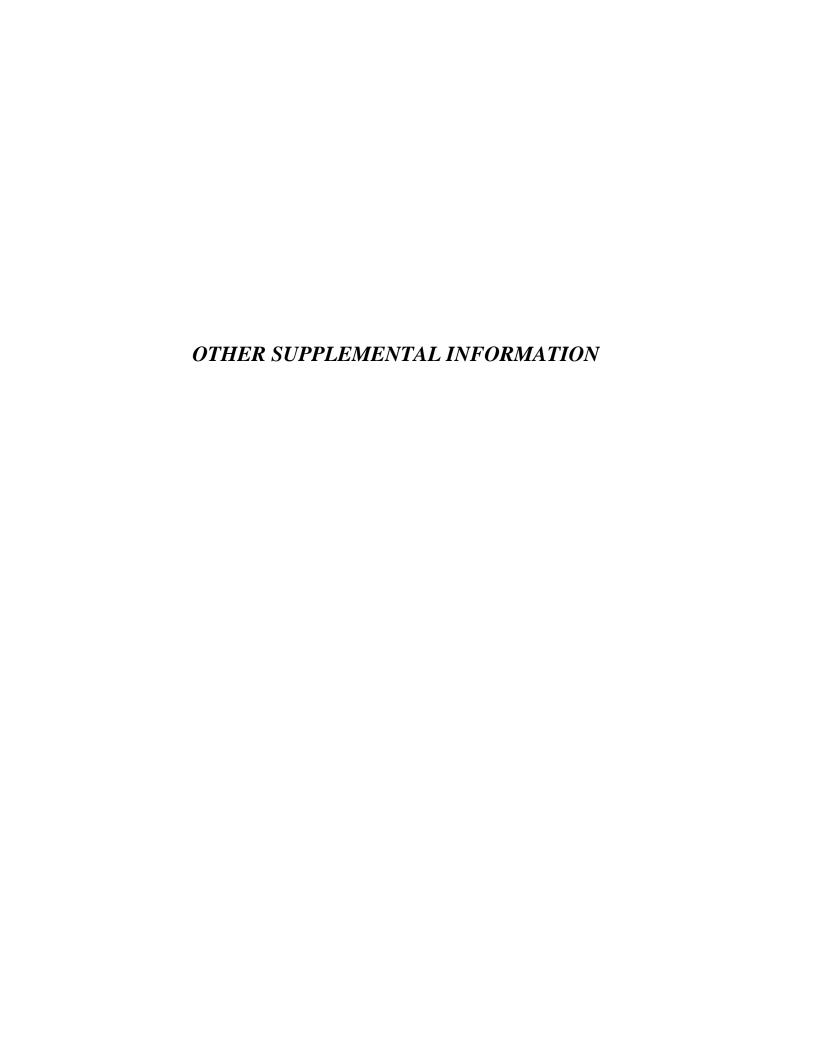
BUDGETARY COMPARISON SCHEDULE

		Budgeted	Am	ounts				ctual (Under)
	0	Original Final			Actual	Final Budget		
Revenues:								
Federal grants	\$	-	\$	40,000	\$	58,323	\$	18,323
State grants		85,290		85,290		92,345		7,055
Interest and rents		3,500	_	3,500	_	3,214		(286)
Total revenues		88,790	_	128,790		153,882		25,092
Expenditures:								
Current								
Public works		92,200	_	132,114	_	125,961		(6,153)
Total expenditures		92,200		132,114		125,961		(6,153)
Excess (deficiency) of								
revenues over expenditures		(3,410)		(3,324)		27,921		31,245
Other financing sources (uses):								
Transfers out		(23,000)		(23,086)	_	(23,086)		
Total other financing sources (uses)		(23,000)		(23,086)		(23,086)		
Net change in fund balance		(26,410)		(26,410)		4,835		31,245
Fund balance, beginning of year		428,662		428,662		428,662		
Fund balance, end of year	\$	402,252	\$	402,252	\$	433,497	\$	31,245

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

				Actual
	Budgeted	l Amounts		Over (Under)
	Original	Final	Actual	Final Budget
Revenues:				
State grants	\$ 47,131	\$ 47,131	\$ 37,082	\$ (10,049)
Interest and rents	2,100	2,100	1,677	(423)
Other revenue	200	200	154	(423)
Total revenues	49,431	49,431	38,913	(10,895)
Expenditures:				
Current				
Public works	223,900	223,900	109,231	(114,669)
Total expenditures	223,900	223,900	109,231	(114,669)
Excess (deficiency) of				
revenues over expenditures	(174,469)	(174,469)	(70,318)	103,774
Other financing sources (uses):				
Transfers in	23,000	23,000	23,086	86
Total other financing sources (uses)	23,000	23,000	23,086	86
Net change in fund balance	(151,469)	(151,469)	(47,232)	103,860
Fund balance, beginning of year	275,441	275,441	275,441	
Fund balance, end of year	\$ 123,972	\$ 123,972	\$ 228,209	\$ 103,860



DETAILED SCHEDULE OF REVENUES

Current Taxes:	
Property taxes	\$ 309,945
Penalties and interest on taxes	8,103
Administration fees	18,825
	336,873
Licenses and permits:	
Nonbusiness licenses and permits	12,178
CATV franchise fees	18,528
	30,706
State Grants:	
Liquor license fees	587
State revenue sharing - sales tax	189,854
Police	500
	190,941
Contribution from other units:	
Fire protection fees	6,126
Tax Increment Finance Authority - Administration charges	21,000
Northwest Utility Authority - Administration charges	9,000
	36,126
Charges for services:	
Recreation fees	10,570
Police services and reports	145
Fire runs	835
Other	329
Charges to other funds	14,400
	26,279
Fines and forfeits:	
Ordinance fines	323
	323
Interest and rents:	
Interest	4,459
Equipment Rental	19,461
Rents	5,498
	29,418
Other Revenue:	
Sale of fixed assets	225
Reimbursements	280
Refunds and rebates	2,211
Other	2,777
	5,493
Total revenues	\$ 656,159

DETAILED SCHEDULE OF EXPENDITURES

Expenditures:	
General Government:	
Council:	
Personnel	\$ 2,960
Contracted services	544
Dues and memberships	1,525
Education and training	31
Other	40
	5,100
Manager:	
Personnel	42,937
Contracted services	500
Mileage	13
Education and training	422
	43,872
Clerk:	
Personnel	3,708
Supplies	324
Contracted services	1,905
Dues and memberships	140
Education and training	35
Printing and publications	715
	6,827
Audit:	
Contracted services	10,040
	10,040
Board of Review:	
Personnel	340
Commen	340
T	
Treasurer: Personnel	35,030
Supplies	5,206
Contracted services	3,200
Dues and memberships	25
Education and training	62
Repairs and maintenance	2,159
Other	951
Other	
A	43,816
Assessor: Contracted services	0.715
Printing and publications	8,715 2,232
randing and publications	
	10,947

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Expenditures, Continued: General Government, Continued:	
Building and Grounds:	
Personnel	\$ 2,400
Supplies	1,416
Contracted services	86
Telephone	4,218
Utilities	7,607
Repairs and maintenance	4,218
1	19,945
Attorney:	
Contracted services	2,852
	2,852
Community Navsnanar	
Community Newspaper: Contracted services	3,169
Conducted Services	
	3,169
Total general government	146,908
Total general government	140,908
Public Safety:	
Police:	
Personnel	64,135
Supplies	5,308
Telephone	1,522
Dues and memberships	200
Education and training	1,301
Repairs and maintenance	3,008
Other	364
	75,838
Fire:	
Personnel	32,185
Fringe benefits	151
Supplies	2,740
Contracted services	3,263
Telephone	1,518
Dues and memberships	229
Education and training	3,500
Insurance Utilities	408
	5,053 6,870
Repairs and maintenance Equipment rental	15,350
Other	368
Oulci	
	71,635

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Expenditures, Continued	
Public Safety, Continued:	
Building Inspection Department:	
Supplies	\$ 243
Contracted services	9,206
Dues and memberships	75
Education and training	435
	9,959
Total public safety	157,432
Public Works:	
Department of Public Works:	
Personnel	60,431
Supplies	7,636
Contracted services	230
Telephone	2,731
Education and training	253
Utilities	7,463
Repairs and maintenance	23,245
Other	124
	102,113
Sidewalks:	
Supplies	8,786
	8,786
Drains - Public Benefit:	
Contracted services	5,680
Repairs and maintenance	385
•	6,065
Street Lighting:	
Utilities	19,393
	19,393
Refuse Removal:	
Contracted services	7,500
Contracted services	7,500
Total public works	143,857
Community and Economic Development	
Planning:	
Contracted services	464
Other	692
	1,156
Total community and economic development	1,156

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Expenditures, Continued	
Recreation and Culture:	
Parks and Recreation Department:	
Personnel	\$ 18,386
Fringe benefits	1,392
Supplies	3,308
Contracted services	1,480
Utilities	5,342
Repairs and maintenance	1,991
Other	96
	31,995
Total recreation and culture	31,995
Other:	
Insurance and bonds	48,508
Employee benefits	74,285
Employer's share of retirement	12,693
Employer's share of FICA	20,162
	155,648
Total other	155,648
Capital Outlay:	
General government	6,232
Public works	22,051
	28,283
Total capital outlay	28,283
Total expenditures	665,279
Total experientures	
Other Financing Uses:	
Transfers to other funds	3,368
	3,368
Total expenditures and other financing uses	\$ 668,647

NONMAJOR GOVERNMENTAL FUNDS

BALANCE SHEET

	Special Revenue Funds						Сар	ital Proje Fund	ct	
	Re	Fire placement Fund	t Recreation Refuse Fund Fund		Stock Building Supply Fund		Total Nonmajor Governmental Funds			
Assets:	Φ	121 222	Ф	10.651	Φ	61.570	ф		Ф	202.551
Cash and cash equivalents	\$	131,322	\$	10,651	\$	61,578	\$	-	\$	203,551
Due from other funds		835		-		21,822		-		22,657
Prepaid expenditures						10,554				10,554
Total assets	\$	132,157	\$	10,651	\$	93,954	\$	-	\$	236,762
Liabilities and Fund Balances: Liabilities:										
Accounts payable	\$	264	\$	619	\$	10,558	\$	-	\$	11,441
Total liabilities		264		619		10,558		-		11,441
Fund balances:										
Reserved for:										
Prepaid expenditures		-		-		10,554		-		10,554
Unreserved:										
Special revenue funds		131,893		10,032		72,842		-		214,767
Total fund balances		131,893		10,032		83,396		-		225,321
Total liabilities and fund										
balances	\$	132,157	\$	10,651	\$	93,954	\$	_	\$	236,762

NONMAJOR GOVERNMENT FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Revenues: \$ 29,370 \$ 7,337 \$ - \$ 5.00th State grants \$ 29,370 \$ 36,707 \$ - \$ 6,201 \$ 26,201 \$ 26,201 \$ 1,422 \$ 1,578 \$ 37 \$ 291 \$ - \$ 1,906 \$ 1,578 \$ 381 \$ 1,578 \$ 1,578 \$ 381 \$ 1,578 \$ 1,		Special Revenue Funds					_	Capital Project <u>Fund</u>			
Property taxes \$ 29,370 \$ 7,337 \$ - \$ - \$ 36,707 State grants 1,138 284 - - 1,422 Contributions from other units - - - 26,201 26,201 Charges for services 835 - 93,579 - 94,414 Interest and rents 1,578 37 291 - 1,906		Replacement						Building Supply		Nonmajor Governmental	
State grants 1,138 284 - - 1,422 Contributions from other units - - - 26,201 26,201 Charges for services 835 - 93,579 - 94,414 Interest and rents 1,578 37 291 - 1,906		Φ 20	270	Φ	7 227	Ф		Ф		Ф	26.707
Contributions from other units - - - 26,201 26,201 Charges for services 835 - 93,579 - 94,414 Interest and rents 1,578 37 291 - 1,906	=			\$		\$	-	\$	-	\$	
Charges for services 835 - 93,579 - 94,414 Interest and rents 1,578 37 291 - 1,906	•	1	,138		284		-		- 26 201		
Interest and rents 1,578 37 291 - 1,906			925		-		02 570		20,201		
	=	1			- 37				-		
							291		-		
3,000 301 3,000 3,000 3,000	Other revenue		,000		361					-	3,361
Total revenues 37,921 8,039 93,870 26,201 166,031	Total revenues	37	,921		8,039	_	93,870		26,201		166,031
Expenditures:	-										
Current											
Public safety 6,782 6,782	•	6	,782		-		-		-		
Public works 85,257 - 85,257			-		-		85,257		-		85,257
Community and economic									24.152		24.152
development 34,153 34,153	=		-		- 470		-		34,153		
Recreation and culture - 5,470 5,470 Capital outlay 6,364 6,364		6	261		5,470		-		-		
Capital outlay 6,364 6,364 Debt service:	=	U	,304		-		-		-		0,304
Principal 48,963 48,963		18	963		_		_				18 963
Interest and fees 3,462 3,462	_				_		_		_		
Total expenditures 65,571 5,470 85,257 34,153 190,451			,		5 470		85 257	-	34 153	_	
·	-		,571		2,170	_	05,257		31,133		170,131
Excess (deficiency) of revenues over expenditures (27,650) 2,569 8,613 (7,952) (24,420)		(27	,650)		2,569		8,613		(7,952)		(24,420)
	_										
Other financing sources (uses): Transfers in 3,368 - - - - 3,368		3	,368								3,368
Total other financing sources (uses) 3,368 3,368	<u> </u>	3	,368		_		-		-		3,368
Net change in fund balance (24,282) 2,569 8,613 (7,952) (21,052)		(24	,282)		2,569		8,613		(7,952)		
Fund balances, beginning of year 156,175 7,463 74,783 7,952 246,373	Fund balances, beginning of year	156	,175		7,463		74,783		7,952		246,373
Fund balances, end of year \$ 131,893 \$ 10,032 \$ 83,396 \$ - \$ 225,321	Fund balances, end of year	\$ 131	,893	\$ 1	10,032	\$	83,396	\$	-	\$	225,321

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

	Beginning Balance	Additions	Deductions	Ending Balance	
Payroll Withholding Fund					
Assets: Cash and cash equivalents	\$ 29,574	\$ 377,035	\$ 377,007	\$ 29,602	
Total assets	\$ 29,574	\$ 377,035	\$ 377,007	\$ 29,602	
Liabilities: Accounts payable and accrued expenses Advance payable to other funds Total liabilities	\$ 374 29,200 \$ 29,574	\$ 377,035 <u> </u>	\$ 377,007 <u> </u>	\$ 402 29,200 \$ 29,602	
Tax Fund					
Assets: Cash and cash equivalents	\$ 5,000	\$ 1,911,148	\$ 1,911,148	\$ 5,000	
Liabilities: Due to other funds Advance payable to other funds Due to other governmental units Total liabilities	\$ - 5,000 - \$ 5,000	\$ 396,444 1,514,704 \$ 1,911,148	\$ 396,444 1,514,704 \$ 1,911,148	\$ - 5,000 \$ 5,000	
Total Agency Funds			+ -,,	 	
Assets: Cash and cash equivalents Total assets	\$ 34,574 \$ 34,574	\$ 2,288,183 \$ 2,288,183	\$ 2,288,155 \$ 2,288,155	\$ 34,602 \$ 34,602	
Liabilities: Accounts payable and accrued expenses Advance payable to other funds Due to other governmental units Total liabilities	\$ 374 34,200 \$ 34,574	\$ 377,035 - 1,514,704 \$ 1,891,739	\$ 377,007 - 1,514,704 \$ 1,891,711	\$ 402 34,200 	

DETAIL DEBT REPAYMENT SCHEDULES

	Interest Rate	Date of Maturity	Principal Due		Interest Due		Total Due	
GOVERNMENTAL FUNDS:								
2004 Installment Purchase Contact Pa Dated February 11, 2004, Origin \$150,000 due in monthly paymen March 11, 2004 to February 11, 2 Original loan repayment follows:	al amount of this of \$4,369 2007.							
	3.10%	2006 2007	\$	50,502 34,548	\$	1,923 403	\$	52,425 34,951
Total Governmental Funds			\$	85,050	\$	2,326	\$	87,376
ENTERPRISE FUNDS:								
Saginaw County Northwest Utilitie Bonds, Dated 8/1/90, Original T \$3,300,000, City Share - \$307,8 (These bonds were refinanced in a refunding bond issues)	otal Åmoun 390	t -						
a recurrency	5.75	5/1/06	\$	23,325	\$	7,476	\$	30,801
	5.50	5/1/07		23,325		5,901		29,226
	5.50	5/1/08		25,658		4,618		30,276
	5.50	5/1/09		27,990 23,711		3,207 8,279		31,197
	5.50	5/1/10		124,009		29,481		31,990 153,490
Saginaw County Zilwaukee Water System Bonds, Dated 4/1/91, Ori Total Amount - \$525,000								
. , ,	7.00	9/1/05		30,000		15,698		45,698
	7.05	9/1/06		35,000		13,414		48,414
	7.10	9/1/07		40,000		10,760		50,760
	7.15	9/1/08		40,000		7,910		47,910
	7.20	9/1/09		45,000		4,860		49,860
	7.20	9/1/10		45,000		1,620		46,620
				235,000		54,262		289,262
Total Enterprise Funds			\$	359,009	\$	83,743	\$	442,752

DETAIL DEBT REPAYMENT SCHEDULES, continued

	Interest Rate	Date of Maturity	I	Principal Due		Interest Due		Total Due
COMPONENT UNIT:								
2004 Tax Increment Bonds, Date Original Amount \$600,000	ed 5/3/05,							
	4.2%	10/1/05 4/1/06	\$	75,000	\$	10,570 12,600	\$	10,570 87,600
		10/1/06		-		11,025		11,025
		4/1/07		75,000		11,025		86,025
		10/1/07		-		9,450		9,450
		4/1/08		75,000		9,450		84,450
		10/1/08 4/1/09		75,000		7,875 7,875		7,875 82,875
		4/1/09 10/1/09		75,000		6,300		6,300
		4/1/10		75,000		6,300		81,300
		10/1/10		-		4,725		4,725
		4/1/11		75,000		4,725		79,725
		10/1/11		-		3,150		3,150
		4/1/12		75,000		3,150		78,150
		10/1/12		75.000		1,575		1,575
		4/1/13		75,000		1,575		76,575
				600,000		111,160		711,160
2001 Michigan Strategic Loan, Dated June 2001, Original ame \$369,253 (plus \$104,099 accru- for the period July 2002 throug 1, 2006) with quarterly equal p September 1, 2006 to June 30, Original loan repayment follow	gh September payments from 2016.							
	6.00%	2006		18,965		_		18,965
	3.0070	2007		28,253		_		28,253
		2008		29,987		-		29,987
		2009		31,827		-		31,827
		2010		33,780		-		33,780
		20011		35,853		-		35,853
		2011						
		2012		38,053		-		38,053
		2012 2013		38,053 40,388		- - -		38,053 40,388
		2012 2013 2014		38,053 40,388 42,866		- - -		38,053 40,388 42,866
		2012 2013		38,053 40,388		- - - -		38,053 40,388 42,866
		2012 2013 2014 2015		38,053 40,388 42,866 45,496		- - - - -		38,053 40,388 42,866 45,496

CITY OF ZILWAUKEE

DETAIL DEBT REPAYMENT SCHEDULES, continued

June 30, 2005

In connection with the Michigan Strategic Loan agreement, the City may receive a reduction in the interest to be paid on this loan. This will depend on the number of net new jobs created as a result of this loan/project. This loan was funded by federal CDBG monies passed through the State of Michigan to the City of Zilwaukee. The City and the City of Zilwaukee Tax Increment Finance Authority have an agreement whereby the TIFA will be responsible for repayment of this loan.



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

MANAGEMENT LETTER

To the City Council City of Zilwaukee, Michigan

We have completed our audit of the financial statements of the City of Zilwaukee for the year ended June 30, 2005, and have issued our report thereon dated October 10, 2005. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The City's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of Zilwaukee taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the City management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company

Certified Public Accountants

Berthiain & Co

October 10, 2005